

Company Program - A Student Venture

President

EXECUTIVE GUIDELINES

A company President can also be called Chief Executive Officer (CEO) or Senior Manager. To be effective the President should understand all aspects of the company's operation, from production to sales to record keeping. One of the key duties of the President is providing leadership in developing the Business Plan and presiding at the company meeting at which the plan is presented to the company members. The President works closely with the Vice-Presidents to set goals and monitor company progress. Weekly management meetings provide an opportunity to discuss possible problems and specific tasks that must be accomplished.

PRESIDE AT ALL COMPANY MEETINGS

After the election the President is responsible for leading all company meetings and management meetings. This involves:

- planning agendas with the Consultants and the Vice-Presidents
- helping others prepare their reports
- leading discussions and maintaining order.

PROVIDE LEADERSHIP IN DEVELOPING THE BUSINESS PLAN

Each of the Vice-Presidents has a portion of the Business Plan for which they are responsible to develop. The President is responsible for providing leadership in developing the plan and presiding at the meeting at which the plan is presented to the membership. The Consultants will provide support as needed.

COMPLETE & FILE ASSIGNED REPORTS

The President is responsible for writing a Letter to Shareholders for the Final Report.

The President is also ultimately responsible for making sure that all reports are complete, accurate, and filed on time.

PROVIDE SUPPORT FOR THE COMPANY'S FINAL REPORT

Compilation of the Final Report follows a schedule, and the President's support and assistance may be needed to complete it on time. The President should ensure that the business appoints a task force to work on the report.

COORDINATE LIQUIDATION PROCEDURES

Each Vice-President has responsibilities at liquidation. The President is responsible for providing the leadership necessary to complete production, complete and deliver services, conclude sales, and close company records on time.

CHEQUE-SIGNING AUTHORITY

The President should have authority to sign cheques in the absence of the Vice-President of Finance.

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RESPONSIBILITY TO THE VICE-PRESIDENTS

The President has the responsibility to supervise, assist and advise the Vice-Presidents and help them follow proper procedures to improve their performance.

Listen to the advice and guidance of other members of the management team. Confer with the others before recommending a change in procedure or policy. Promote teamwork and harmony.

As a member of the management team, you should be aware of each Vice-President's basic duties and responsibilities.

RESPONSIBILITY TO THE COMPANY

As a member of the management team, you will need a general understanding of all aspects of your company operations. By being aware of the problems facing each department, you will help your business meet its objectives.

Do not avoid problem situations. Work with the Consultants, other management team members, and the people involved to resolve problems.

BOARD AND COMPANY MEETINGS – TIPS FOR ENSURING SUCCESSFUL MEETINGS

Board of Directors and other company meetings are extremely important to the success of the company's operation. They provide members a chance to participate in company matters and allow communication between departments to co-ordinate policies. They also encourage members to take responsibility for the success or failure of their business.

Successful meetings will depend on the President's ability to provide leadership. If the President is poorly prepared or does not take the meetings seriously, he/she will lose credibility as a business leader.

The President should start preparing for important meetings at least one or two weeks in advance. The President is responsible for seeing that all members are prepared to give their reports. The President should give notice of the meeting to all members a week in advance.

The President should obtain preliminary reports from the management team before the meeting so he/she can anticipate questions. Their reports should not be a surprise!

Make short notes on the agenda. The Corporate Secretary should keep minutes of all meetings.

The President's role is to aid and assist the group in reaching its own conclusions and recommendations.

Work to create an informal yet attentive atmosphere. Use listening skills.

Consider circular seating to maximize visual contact among all participants.

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Use open-ended questions (e.g., how can we...?) rather than questions that can be answered “yes” or “no”.

The President should actively involve all members by using questions such as “John, what do you think?” Do not let one or two members dominate the discussion.

Keep your questions short and simple; emphasize action words such as tell, describe, explain, compare, review.

Meetings should be upbeat and interesting. Remember, stress the positive.

Summarize frequently. Use the blackboard, flip chart or other visual aids.

Try dividing the members into groups for a short discussion; and then, have each group report conclusions to the full membership.

Respect all viewpoints and encourage everyone to understand all sides of the question.

Stay on course – do not allow the discussion to wander.

PARLIAMENTARY PROCEDURES

Following a few basic rules of parliamentary procedure (often called Robert’s Rules) can provide order to the discussion. Be careful not to be too strict. Do not let the meeting turn into a debate about the rules of procedure. Conduct the meeting in a mature, business-like manner, and help all company members understand their responsibilities as Board members.

Although the Corporate Secretary acts as parliamentarian (i.e., ensures proper procedures are followed at meetings), you should be aware of the basic rules to follow:

Allow one person to speak at a time.

Demonstrate that you will give everyone an opportunity to speak. If time is an issue, you can ask that remarks be limited to 30 seconds or a minute.

When an important policy decision is to be made, ask a company member to make a motion. The motion is a statement of the desired policy, for example, “I move that a dividend of \$2.50 per share be paid to each shareholder.”

A motion should receive a second. If no one will support the motion with a second, there is no need to continue discussion.

Once a motion has been made and seconded, it can be discussed. Remember, one speaker at a time.

If someone wants to amend a motion, he or she may do so with the permission of the person who made the original motion. Otherwise, he or she must wait for the motion being discussed to be voted on.

When most opinions have been heard, anyone can call for a vote. Use your judgement to decide if the group is ready to vote. In most cases a simple majority of those present should be enough to pass or defeat a motion.

On controversial issues it is best to count actual votes. If it is clear from the discussion that most agree or disagree with the motion, a voice vote will do.

BUDGET FORECAST CONSOLIDATION GUIDE

JA Company:

Date Prepared:

NOTE TO THE PRESIDENT

In order to produce an effective Business Plan, it is essential that the management team works together, not just to complete this task, but to conduct the ongoing business with confidence. Each Vice-President should have begun to forecast their own aspects with their departments, but since the Budget Forecast depends on a common set of assumptions, this Consolidation Guide will help you collect the budget forecast information in an orderly manner, and carry the numbers forward to a final profit projection. This guide should be done 'step by step'. Do not move ahead to the next step until all members of your management team are 100% in favour of the decision, or direction.

If any Vice-President answers "no" to a question during the completion of the Budget Forecast, do not proceed until some corrective action has been taken.

Once the Budget Forecast is complete, it can be attached to the text portions (Goals, Product Descriptions, Marketing Strategy, etc) to become part of the Business Plan.

Each Vice-President should have their worksheets with them as reference.

SALES REVIEW

SECTION ONE: SALES PROJECTIONS

A. What is our product(s):

Product # 1 _____

Product # 2 _____

B. How many products (of each) do we plan to produce and sell during the program year?

Product # 1 _____

Product # 2 _____

C. Does the V-P Production feel that this goal can be achieved in the program weeks (including next week) that are available for production activity?

Yes? _____ No? _____
(If 'No', return to item B, above)

D. Does the V-P Marketing & Sales feel that this goal can be achieved in the program weeks (including next week) that are available for sales activity?

Yes? _____ No? _____
(If 'No', return to item B, above)

E. How many members does the V-P Human Resources forecast will remain in the company?

Members: _____

Note: Check with your Consultant regarding the minimum number of members in order to be eligible for JA corporate awards.

F. Therefore, the average sales goal per member for the year is (divide unit goal ((item B, above) by membership (item E, above))

Sales Goal per Member –

Product #1 _____

Product #2 _____

G. Do the V-P Marketing & Sales and V-P Human Resources feel that the sales goal, per member/product, is reasonable and attainable?

Yes? _____ No? _____
(If 'No', return to item B or E, above)

H. What price (not including sales tax) will the product(s) sell for in the retail market?

Price (Product # 1) \$ _____

Price (Product # 2) \$ _____

I. Calculate the total sales income of the year by adding together the income of all products. {(Item H, above) times (item B above)}, for each product.

Total Sales income \$ _____

VARIABLE COST REVIEW

SECTION TWO: MATERIALS USED

A) What does the V-P Production estimate as a reasonable (unit) cost for raw materials for each product (including packaging, waste, labels etc.)?

Raw Material cost –Product #1 \$ _____

Raw Material cost –Product #2 \$ _____

B) Does the V-P Finance agree with the estimated raw material costs for each product?

Yes? _____ No? _____
(If 'No', return to item A, above)

C) Calculate the total amount of raw materials required for each product: unit materials cost (item A above), times sales goal (item B, from section 1)

Total Material Cost – Product #1 \$ _____

Total Material Cost – Product #2 \$ _____

D) Calculate the total materials costs for all products (from item C, above)

Total Material costs \$ _____

E) Calculate an amount to reflect costs of materials wasted – either due to mistakes during production, or left over as scrap. A typical approach is to take 5% of the total material costs for all products (from item D, above) to determine an Adjusted Materials Cost.

Total Material costs \$ _____ × 5%

= Material Wastage Costs \$ _____

\$ _____	= \$ _____	+ \$ _____
Total Adjusted Material Cost	Total Material Costs	Material Wastage Costs

VARIABLE COST REVIEW CONTINUED

SECTION THREE: SHOP SUPPLIES AND OUT-SOURCING

(Reconfirm Production Department estimates)

A) How much does the V-P Production estimate for the purchase of shop supplies (e.g., sandpaper, scissors, etc) to be used for the production of all products?

Shop Supplies \$ _____

B) A piecework rate must be paid for any production activity that is out-sourced (e.g., sewing, cutting wood, etc). How much does the V-P Production estimate will be paid (per product) for out-sourcing of our products?

Out-Sourcing Cost –
Product #1 \$ _____

Out-Sourcing Cost –
Product #2 \$ _____

C) Calculate the total out-sourcing cost by multiplying the out-sourcing cost per product (item B, above) by the production and sales goal (item B, from section I).

Total Out-Sourcing Costs –
Product #1 \$ _____

Total Out-Sourcing Costs –
Product #2 \$ _____

D) Calculate the total out-sourcing cost for the year for all products (from item C, above).

Total Out-Sourcing Cost \$ _____

E) Total shop supplies by adding the supplies (item A) and the out-sourcing costs (Item D).

Total Shop Supplies Cost \$ _____

VARIABLE COST REVIEW CONTINUED

SECTION FOUR: LABOUR (WAGES)

- A) What wage rate do we recommend the company members adopt for non-management members that work regular hours? (V-P Human Resources refers to Compensation Worksheet).

Wage rate/hour \$ _____

- B) How many non-management members do the V-P Human Resources estimate the company will have throughout the year? (item E, from section 1 less 6 (President and V-Ps).

of non-management members _____

- C) Calculate weekly wages, by multiplying the hourly wage rate (item A, above) by the number of non-management members (item B, above) by 2.5 hours (or usual # of hours per session). (assuming 100% attendance)

$$\begin{array}{ccccccc} \$ & \underline{\hspace{1cm}} & \times & \underline{\hspace{1cm}} & \times & \underline{\hspace{1cm}} & = & \underline{\hspace{1cm}} \\ & \text{Wage} & & \text{\# non-} & & \text{hours/} & & \text{total} \\ & \text{rate/hour} & & \text{management} & & \text{week} & & \text{weekly} \\ & & & & & & & \text{wages} \end{array}$$

- D) Calculate the total wages for the program: Multiply the total weekly wages (item C, above) by the number of paid sessions – number of sessions following their election and not counting the very last one (e.g. 7 weeks for 12 week program.)

$$\begin{array}{ccc} \$ & \underline{\hspace{1cm}} & \times & \underline{\hspace{1cm}} & = & \underline{\hspace{1cm}} \\ & \text{Weekly} & & \text{Program} & & \text{Total} \\ & \text{Wages} & & \text{Weeks} & & \text{Wages} \end{array}$$

SECTION FIVE: COST OF GOODS PRODUCED

- A) To determine the total cost of producing our products, add all direct production costs, including adjusted material cost (item E, section 2), shop supply and out-sourcing cost (item E, section 3), and labour (item D, section 4).

$$\begin{array}{ccccc} \$ & \underline{\hspace{1cm}} & + & \$ & \underline{\hspace{1cm}} & + & \$ & \underline{\hspace{1cm}} \\ & \text{Total} & & \text{Total Shop} & & & \text{Total} \\ & \text{Adjusted} & & \text{Supplies} & & & \text{Labour} \\ & \text{Material Cost} & & \text{Cost} & & & \text{(Wages)} \end{array}$$

- B) Total cost of goods produced.

Cost of Goods Produced \$ _____

SECTION SIX: FINISHED GOODS

- A) Since the V-P Production and V-P Marketing & Sales have agreed upon the production and sales goal of each product, we will assume to sell all the products that are produced. Therefore, there will be no value for 'finished goods inventory' at the end of the year. According to JA policy, all unsold products at the close of our business are to be turned over to JA.

Finished Goods Inventory \$ _____ 0.00 _____

VARIABLE COST REVIEW CONTINUED

SECTION SEVEN: COMMISSIONS AND COST OF GOODS SOLD

A) What is the commission rate that is being recommended for each of our products?

Commission rate – Product #1 _____ %

Commission rate – Product #2 _____ %

B) Based upon the pre-tax selling price(s) that we established in section 1, how much income will our members earn from selling each one of our products? Multiply the pre-tax selling price (item H, section 1) by the commission rate (item A, above).

Commission amount – Product #1 \$ _____

Commission amount – Product #2 \$ _____

C) To calculate the total commissions to be paid for each product, multiply the commission amount for each product (item B, above) by the production and sales goal (item B, section 1).

\$ _____
Total Commission Cost – Product #1

\$ _____
Total Commission Cost – Product #2

D) Total commissions from item C if you have more than one product.

Total Commissions \$ _____

E) We have already determined that there will be no value associated with our finished goods inventory at the end of the year (item A, section 6). Therefore the 'cost of goods sold', is the 'cost of goods produced' (item B, section 5) plus total commission costs (above).

\$ _____	= \$ _____	+ \$ _____
Cost of Goods Sold	Cost of Goods Produce	Total Commissions

SECTION EIGHT: GROSS PROFIT

A) To calculate the 'gross profit' on sales, subtract the 'cost of goods sold' (item A, section 7) from total sales (item I, section 1).

\$ _____	– \$ _____
Sales Income	Cost of Goods Sold

B) The gross profit does not include any fixed expenses that the business will incur.

Gross Profit \$ _____

FIXED COST REVIEW

Reconfirm the Human Resource Department projections for salaries from the Compensation Plan Worksheet.

SECTION NINE: SALARIES

A) The salary rate per week that the management team will get paid is \$ _____

$$\begin{array}{ccccccc} \$ & \times & 6 & \times & 7 & = & \$ \\ \text{Rate per} & & \text{\# in} & & \text{\# of} & & \text{Salaries/Period} \\ \text{Night} & & \text{management} & & \text{weeks} & & \\ & & \text{team} & & & & \end{array}$$

Reconfirm the Finance Department projections for Fixed Costs from the Budget Forecast Cost Worksheet and ensure that the management team understands these charges

SECTION TEN: RENTAL EXPENSE (– IF APPLICABLE)

A) If your business pays rental or “lease” fees determine the total expense (Either a single – one-time - amount, or if per session, than calculate the total amount from the cost per session times the number of sessions)

If needed:

$$\begin{array}{ccc} \$ & \times & \$ \\ \text{Rent/ session} & & \text{\# of session} \end{array}$$

Total Rental Expense:

\$ _____

SECTION ELEVEN: OFFICE SUPPLIES

A) The JA Office may charge for services (such as photocopying or postage) on a one-time or per use basis. Check that you have included these in your calculations:

Additional Office Supply charges:

\$ _____

FIXED COST REVIEW CONTINUED

SECTION TWELVE: OUTSIDE SERVICES

A) Each JA Company will have a bank account. Check with the JA office how these are to be handled and if there are any service charges for statements or reconciliation.

B) At the end, every JA Company is audited to ensure the accuracy of the departmental records. If this is done by a volunteer accountant, they may not charge but might accept a “stipend”. In some cases the JA office may do the audit and levy a fee for auditing services.

Total Audit Charges \$ _____

C) Each JA Company is incorporated as a business under the charter of Junior Achievement of Canada. A one-time fee of \$10.00 is assessed for the legal fees of incorporation.

D) Check with your JA Office – some may expect that each JA Company purchases an insurance policy to protect the members, advisors, and directors in the event of a lawsuit. Identify any charges.

E) To calculate the total outside services for your JA Company, add together the fees for banking, auditing, incorporating, and insurance.

Total Outside Services \$ _____

SECTION THIRTEEN: MARKETING EXPENSES

A) The Marketing Department may recommend a trade fair, a Web site or other major expenditures to promote sales of the product. Calculate the projected external costs for these items. (Note: Paper supplies for brochures or software purchases, etc. would be included under Office Supplies.)

Marketing Expenses \$ _____

SECTION FOURTEEN: SHAREHOLDERS’ FINAL REPORT

A) At the end of the program, each JA Company produces a report to their investors to describe what happened to their investment. There are costs involved to copy, produce and mail the report. Check with the JA Office if they do this for a set fee, or estimate the cost to include postage and copying.

Final Report \$ _____

FIXED COST REVIEW CONTINUED

SECTION FIFTEEN: CONFERENCE FEES

A) Each JA Company will be assessed a certain fee for various Junior Achievement events throughout the year:

Event Fees \$ _____

Note: The Consultants will select delegates to attend these conferences based on their performance within the JA Company.

SECTION SIXTEEN: TOTAL OVERHEAD EXPENSES

A) These are the expenses that are related to the operation of the business, but do not reflect any of the costs associated with the production of the product. These costs are also referred to as 'fixed costs' because the amount of these expense items will not vary according to production output. To calculate the total overhead expenses, add the following together:

Salaries	\$ _____ (item B, section 9)
Rental	\$ _____ (item A, section 10)
Office Supplies	\$ _____ (item B, section 11)
Outside Services	\$ _____ (item E, section 12)
Marketing Expenses	\$ _____ (item A, section 13)
Final Report	\$ _____ (item A, section 14)
Conference Fees	\$ _____ (item A, section 15)

B) The total overhead (fixed) costs for our JA Company are:

Total Overhead Expenses \$ _____

PROFIT AND SHARE CALCULATIONS

SECTION SEVENTEEN: OPERATING PROFIT

A) Operating profit is determined by subtracting Total Overhead Expense (or Total Fixed Cost) (item C, section 16) from Gross Profit (item B, section 8). *(Remember – Gross profit is the difference between the income received from sales (Sales Income) and the costs to produce and sell them (the variable costs).)*

$$\begin{array}{rcl}
 \$ \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} - \$ \underline{\hspace{2cm}} \\
 \text{Operating Profit} & & \text{Gross Profit} \quad \text{Total Overhead Expense}
 \end{array}$$

SECTION EIGHTEEN: OTHER INCOME

A) “Other income” is money derived for the business from sources other than through the sale of products. (e.g. If a customer wishes to donate funds without buying a share or a product.) Does the V-P of Finance anticipate any other income (revenue)?

Yes _____ No _____

(If ‘yes’ indicate the amount and source)

Amount: \$ _____

Source: _____

B) Most JA Companies will not have any other income to report.

Other Income: \$ _____ 0.0

SECTION NINETEEN: NET PROFIT BEFORE TAXES

A) Net Profit Before Taxes or “Pre-Tax Profit” is the potential earnings from the business activity – the total of Operating Profit (item A, section 17) plus Other Income (item B, section 18).

$$\begin{array}{rcl}
 \$ \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} + \$ \underline{\hspace{2cm}} \\
 \text{Net Profit Before Taxes} & & \text{Operating Profit} \quad \text{Other Income}
 \end{array}$$

SECTION TWENTY: PROFIT TAX

A) The ‘profit tax’ paid by JA Companies realistically reflects the tax paid by shareholders of Canadian corporations. The rate of tax for JA Companies is 50% of their pre-tax profits. To calculate the tax due, multiply the Net Profit Before Tax by 50%. (Item A from Section 19). The projected profit tax is to be paid to the JA office at program-end and will be put towards the JA conference funds.

$$\begin{array}{rcl}
 \$ \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} \times \underline{\hspace{2cm}} \\
 \text{Profit Tax due} & & \text{Net Profit Before Tax} \quad \text{50\% Tax Rate}
 \end{array}$$

PROFIT AND SHARE CALCULATIONS CONTINUED

SECTION TWENTY-ONE: NET PROFIT AFTER TAX

- A) The 'net profit after tax' represents the amount of money that the business can distribute to its shareholders as a dividend, pay bonuses to members, and contribute to local charitable organizations. This subtracts Profit Tax (item A, section 20) from Net Profit Before Tax (item A, section 19).

$$\begin{array}{ccccc} \$ & & = & \$ & - & \$ \\ \text{Net Profit} & & & \text{Net Profit} & & \text{Profit Tax} \\ \text{After Tax} & & & \text{Before Tax} & & \end{array}$$

SECTION TWENTY-TWO: SHAREHOLDER EQUITY: SHARE VALUE

- A) What initial value did the company members give to shares being issued?

Value per share: (Par Value) \$ _____

- B) How many shares does the business wish to issue? during the capitalization period?

of Shareholders: _____

- C) Assuming one share per Shareholder (JA policy), what is the Shareholder "Equity" in the business? This represents the "capital" raised to start-up the business and is derived from multiplying the value per share (item A above) with the # of shareholders (item B above). (Note: If you expect at this time to issue more shares and/or change the value, then those calculations should be added as a second "Share Offering", and shown separately, and added in, for a total Shareholder Equity amount.)

$$\begin{array}{ccccc} \$ & & = & \$ & \times & \\ \text{Initial} & & & \text{Value per} & & \text{\# of} \\ \text{Shareholder} & & & \text{Share} & & \text{Shareholders} \\ \text{Equity} & & & & & \end{array}$$

- D) Note: If the management team wishes to consider a charitable donation or a bonus program for exceptional effort, this amount may be estimated here and subtracted from Net Profit after Tax prior to calculate the projected share value. For the initial Business Plan this can be assumed as \$0.0. During Liquidation, the V-P Finance will make a recommendation for the Distribution of Assets to be used in the calculations of the Final Report.

Discretionary Disbursements \$ _____ 0.0

- E) To calculate the projected value of the company shares at program-end, divide the net-profit after tax (item A, section 21) (minus any discretionary disbursements) by the number of shareholders (item B, above).

$$\begin{array}{ccccc} \$ & & / & & \\ \text{Net Profit After Tax} & & & \text{\# of Shareholders} & \end{array}$$

- F) The value of the company shares at program-end reflects the effort and success of the members in the operation of their business enterprise.

Final Share Value: \$ _____

Change in Value of the share:

Final Share Value \$ _____ / Par Value of
Shares x 100

= _____ % (increase or decrease)